

1 Verizon's proposal is that if it continues  
2 providing transit service to WorldCom in excess of  
3 a DS1, that it would charge a non-TELRIC rate, and  
4 I don't recall the language exactly, but I think it  
5 involves charging an access rate or perhaps an  
6 access rate plus a TELRIC rate for that transit  
7 service; is that correct?

8 MR. D'AMICO: Well, as you mentioned, the  
9 WorldCom language is a little different than the  
10 AT&T, so the WorldCom language really doesn't have  
11 that kind of provision. But addressing the AT&T  
12 additional negotiations, I believe what we said on  
13 that was if it goes above a DS1 level, then there  
14 are additional access-based charges. I forget the  
15 terms that we used. A transit service trunking  
16 charge as well as a transit service billing fee.

17 MR. MONROE: So, you're not proposing that  
18 to WorldCom; is that correct?

19 MR. D'AMICO: Well, again, we get into  
20 this different language, contract language, but the  
21 language is on the table for AT&T. I'm sure we  
22 could talk to WorldCom as well about that language.

1 MR. MONROE: Well, I'm not sure I want to  
2 take it, but I will ask you a couple of questions  
3 about it, just so we have a record on it.

4 Does Verizon charge CMRS providers or IXCs  
5 different rates for tandem service, depending on  
6 the volume of tandem service?

7 MR. D'AMICO: No, but again, that issue is  
8 if it's an older contract, it's basically silent on  
9 this issue. If it's a new contract, basically the  
10 WorldCom language is the model, and if we got to a  
11 point of further negotiations, then potentially the  
12 AT&T version, if you will, would be embedded into  
13 that.

14 MR. MONROE: And that would be  
15 specifically with CMRS providers, I assume; is that  
16 correct?

17 MR. D'AMICO: Yes.

18 MR. MONROE: With the IXCs, tandem service  
19 is provided pursuant to tariff; is that right?

20 MR. D'AMICO: Yes, they're paying access  
21 rates.

22 MR. MONROE: Does your access tariff call

1 for a different rate for the first T-1 than for the  
2 additional T1s?

3 MR. D'AMICO: I don't believe so. They're  
4 the same.

5 MR. MONROE: Are you aware of any  
6 proposals or any plans that Verizon has to modify  
7 its tariffs to have any kind of tiered pricing for  
8 tandem service in the access tariff?

9 MR. D'AMICO: No.

10 MR. MONROE: Are Verizon's costs different  
11 for providing additional transit services beyond  
12 the DS1 level?

13 MR. D'AMICO: I'm not very good with  
14 costs.

15 MR. ALBERT: I would say that the costs  
16 associated with tandem exhaust are triggered by  
17 both the transit traffic as well as the other types  
18 of traffic around the switch. The thing that  
19 really drives the tandem exhaust is the growth, and  
20 if you look at the costs associated with the new  
21 tandem, the extraordinary network rearrangement  
22 charges or costs, the expenses that we incur as

1 well as those related expenses that all other  
2 carriers incur as part of cutting in a new tandem,  
3 those are the ones that I don't believe were  
4 captured by the TELRIC rates that have been set, so  
5 it's an industry problem where certainly Verizon  
6 gets its chunk of the costs, but also negatively  
7 impacts everybody else who has to rearrange all of  
8 their facilities and re-groom all their traffic in  
9 connection with having to place a new tandem into  
10 the network.

11 MR. MONROE: Did you hear Mr. Schell,  
12 AT&T's witness, testify on cross-examination  
13 earlier this morning that the TELRIC rate for  
14 tandem switching is a forward-looking rate, and  
15 that it's designed to recover the costs of  
16 providing tandem service, including a reasonable  
17 return to Verizon?

18 MR. ALBERT: Yes, I heard him say that,  
19 and I also heard him say he's not the cost witness,  
20 and I'm certainly not ours, but all I could say is  
21 my understanding is that these extraordinary  
22 expenses involved with network rearrangements that

1 you kick into each time you have to place a new  
2 tandem into the network, it's my understanding  
3 those are not part of our TELRIC costing.

4 I guess that's what will be found out in  
5 the cost proceedings.

6 MR. MONROE: I realize you're not the cost  
7 witness, but are you testifying that Verizon's  
8 TELRIC charge for tandem switching is not forward  
9 looking or does not include the cost to provide  
10 additional tandem service? Isn't it an incremental  
11 charge that's designed to recover the costs on a  
12 forward-looking basis so that you can continue to  
13 provide tandem service in the future?

14 MR. ALBERT: I was saying what I was  
15 saying, which is my understanding is that these  
16 onetime extraordinary network rearrangement  
17 expenses that are associated with putting a new  
18 tandem into the network, that those are not fully  
19 recovered by the TELRIC rates.

20 MR. MONROE: Perhaps that's a matter best  
21 left for the cost proceeding; would you agree?

22 MR. ALBERT: Yes.

1 MR. MONROE: And that assessing of an  
2 incremental charge on top of the TELRIC charge for  
3 tandem service beyond the DS1 level perhaps is not  
4 the best way to address that matter.

5 MR. EDWARDS: Objection. I think we've  
6 explored this as much as we can, given this witness  
7 and his knowledge.

8 MR. MONROE: I'm trying to explore the  
9 rationale behind the incremental charge that  
10 Verizon is proposing and to determine if there is a  
11 basis for it. If the witnesses are not able to  
12 testify that there is a basis for it, that's fine,  
13 but I'm not sure we've established that yet.

14 MR. EDWARDS: I think we have. I think  
15 we've explored it fully. Mr. Albert has answered  
16 the question twice to the best of his knowledge.

17 MR. DYGERT: Based on your current  
18 knowledge, Mr. Albert, do you have anything to add  
19 to your previous answer in response to this last  
20 question?

21 MR. ALBERT: No.

22 MR. DYGERT: Okay.

1 MR. MONROE: Could we summarize that by  
2 saying, then, is it true that neither one of you  
3 have a basis for the charge that Verizon is  
4 proposing?

5 MR. EDWARDS: Objection. There has been a  
6 number of questions and answers regarding the basis  
7 for that charge.

8 MR. DYGERT: Would you restate your  
9 question, Mr. Monroe?

10 MR. MONROE: Yes.

11 Does either one of you have a basis for  
12 asserting the additional charge that Verizon is  
13 proposing for the additional tandem service beyond  
14 the DS1 level?

15 MR. EDWARDS: I'm willing to stipulate  
16 that the record already reflects the basis in  
17 response to the previous questions.

18 MS. PREISS: Mr. Monroe, I think the  
19 witness has answered your question. I think the  
20 objection is to your characterization of their  
21 answers as there is no basis. If have you an  
22 additional question of the witnesses, let them ask

1 it. Otherwise, I think they've answered the  
2 question, if they--they answered the question. Is  
3 there something that you feel they have not  
4 answered?

5 MR. MONROE: I'm sorry, I couldn't hear  
6 you.

7 MS. PREISS: I think the witnesses have  
8 answered your questions about the basis of their  
9 view that what they are calling extraordinary  
10 expenses of putting new tandems in the network are  
11 not recovered in TELRIC rates. You may disagree  
12 with that answer. If you want to explore that on  
13 cross-examination, go ahead. And we will certainly  
14 have some time to discuss what is and isn't in the  
15 TELRIC rates next week.

16 In other words, I would agree with  
17 Mr. Edwards's objection if you are characterizing  
18 their answer as there is no basis for their  
19 assertion. Otherwise, if you have another question  
20 that you want to explore that basis that they have  
21 already put in the record, then go ahead and ask  
22 it.



1 MR. MONROE: All right. Thank you.

2 Do you have a basis for arriving at the  
3 amount of the additional charge that you propose?

4 MR. D'AMICO: The amount of the one charge  
5 is an access rate for ports or tied to that, and  
6 the billing fee is associated with what Verizon is  
7 charged by our billing pool, and those are  
8 reflected or associated with those charges.

9 MR. MONROE: Well, is it your position  
10 that the additional charge that you're proposing  
11 covers the cost that you don't believe is recovered  
12 from the TELRIC rate?

13 MR. D'AMICO: I think what the additional  
14 cost--I won't say cost, the additional elements,  
15 rate elements were derived based on Verizon trying  
16 to negotiate a situation where there is for a  
17 period of time more than a DS1's worth of traffic  
18 on the tandem or when it goes longer than 180 days  
19 and that CLEC has not negotiated an agreement.  
20 Again the initial position was we would just as  
21 soon have that traffic, that optional traffic, not  
22 on Verizon's tariff--on Verizon's tandem. So, this

1 is just an extension of that.

2 MR. MONROE: Let me ask that another way.

3 Is the additional charge you're proposing  
4 based on any type of cost study or analysis that  
5 you did?

6 MR. D'AMICO: The fact that the--what's it  
7 called?--the tandem service trucking charge is tied  
8 to a port charge by the access tariff, and the  
9 billing fee is tied to what we pay the pool to do  
10 our transit billing.

11 MR. MONROE: Well, are those fees based on  
12 an analysis of the charges that you're talking  
13 about or costs you're talking about that are not  
14 recovered by the TELRIC charge?

15 MR. D'AMICO: Again, I don't know how they  
16 relate to the TELRIC charges.

17 MR. MONROE: I have no more questions, Mr.  
18 Dygert.

19 MR. DYGERT: Thank you. At this point  
20 could we have the WorldCom witness--never mind. We  
21 could go off the record.

22 (Whereupon, at 11:56 a.m., the hearing

1 was adjourned until 1:00 p.m., the same day.)  
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## 1 AFTERNOON SESSION

2 MR. DYGERT: Gentlemen, would you please  
3 identify yourselves for the record at this point.

4 MR. D'AMICO: Pete D'Amico with Verizon.

5 MR. ALBERT: Don Albert with Verizon.

6 MR. GRIECO: Don Grieco with WorldCom.

7 MR. TALBOTT: David L. Talbott, AT&T.

8 MR. SCHELL: John Schell, AT&T.

9 QUESTIONS FROM STAFF

10 MR. GOYAL: Good afternoon, gentlemen. I  
11 have a few questions on these issues. With respect  
12 to issues III-1 and III-2, I want to explore some  
13 of the interplay between those issues and issue  
14 III-4 on getting at the kind of belts and  
15 suspenders issue we were talking about earlier.

16 Just so I understand it, traffic that is  
17 counted towards the DS1 threshold for the purposes  
18 of direct end office interconnection, that traffic  
19 would not include transit traffic; is that correct?

20 MR. ALBERT: Yes, and let me explain a  
21 little bit.

22 The DS1 threshold is specifically for the

1 volume of traffic between two specific switches.  
2 So, in the case of transit traffic, that would be  
3 for the volume of calling between the CLEC and then  
4 the third party switch or switches because there  
5 are going to be more than one of them.

6           The DS we talked about earlier, the other  
7 issue number, is the volume of traffic as it  
8 relates between the CLEC switch and a single  
9 specific Verizon end office, of which there are a  
10 number of. So, the threshold in all cases would be  
11 applied between a pair of switches. The only  
12 difference is with transit traffic, one of  
13 those--both of those switches are non-Verizon, the  
14 end offices, whereas with the regular  
15 interconnection traffic, one of the switches is  
16 CLEC, and then the other switch is Verizon.

17           But the principles, the concepts, the  
18 engineering design, it's really the same to us.  
19 basically what we are saying is the same design  
20 principle in both cases. When the calling between  
21 two switches gets to that level, that's when it's  
22 no longer efficient to route it strictly through

1 the tandem. At that point it's efficient to build  
2 the end office group and take the overflow through  
3 the tandem.

4 MR. GOYAL: With respect to the DS1  
5 threshold applied in the language proposed for  
6 issues III-1 and III-2, is that DS1 threshold  
7 measured identically to the way it would be  
8 measured for end office interconnection? Would it  
9 be measured as 200,000 combined minutes of use per  
10 month?

11 MR. ALBERT: That's what we had proposed.

12 MR. GOYAL: Is that specified in Verizon's  
13 proposals either to WorldCom or AT&T?

14 MR. ALBERT: I don't know.

15 MR. D'AMICO: Actually, it just says DS1  
16 level. So, I think when we were talking about it  
17 with Verizon terminated traffic, we were just  
18 trying to make it easier to understand, so the same  
19 concept would apply. We could add in 200,000  
20 minutes as well into the transit.

21 MR. GOYAL: The next set of questions I  
22 have relates to the rates that would be charged

1 with respect to the proposals both to AT&T and to  
2 WorldCom.

3 Am I correct in understanding that TELRIC  
4 charges would be applied to AT&T up to the DS1  
5 threshold or up to the time that the 180-day period  
6 ran out, if that's treated separately from the DS1  
7 threshold, and then that higher than TELRIC access  
8 charges would apply after the DS1 threshold was met  
9 or the 180 days ran out if Verizon decided to  
10 continue to provide transit service?

11 MR. D'AMICO: The way--and I can address  
12 the 180 question as soon as we get done with this  
13 question.

14 MR. GOYAL: Okay.

15 MR. D'AMICO: The language that we have  
16 basically says that the transit minutes of use will  
17 be a TELRIC. That's the usage-sensitive element.  
18 But when they get above a DS1 threshold in the AT&T  
19 language, we then include some ports above the DS1  
20 level, and those are nonusage-sensitive. And then  
21 there is the billing fee which is usage-sensitive  
22 as well, and it would be applied on all of the

1 minutes.

2 MR. GOYAL: Now, could you clarify how  
3 these charges would be applied to WorldCom.  
4 Because that wasn't clear to me reading the  
5 contract language proposed to WorldCom. Does it  
6 work the same way that it's TELRIC up to DS1 and  
7 higher TELRIC after that?

8 MR. D'AMICO: Well, with WorldCom,  
9 basically we don't go that extra kind of layer. We  
10 basically say that--

11 MR. GOYAL: When you say that extra layer,  
12 what exactly are you referring to? The higher than  
13 TELRIC charges?

14 MR. D'AMICO: Right.

15 MR. GOYAL: Okay.

16 MR. D'AMICO: So, in effect, it just says  
17 that up to a DS1, we are going to charge TELRIC for  
18 the usage, and then we have the 180 day language.

19 And if I could, maybe I should clarify  
20 that, which would maybe clarify what we were  
21 talking about this morning. First I will deal with  
22 the WorldCom language that in effect said if MCI



1 does not enter into and provide notice to Verizon  
2 of the above-referenced arrangement with the 180  
3 days, the language says that Verizon could notify  
4 them and stop providing transit service.

5           The key word there is to demonstrate to  
6 Verizon that they have entered into an agreement,  
7 not necessarily that they have to get the traffic  
8 off of Verizon's network.

9           So, in other words, they come along, and  
10 they're sending traffic under a DS1, we are okay.  
11 This language was intended to say, hey, why don't  
12 you get started, at least get an arrangement, a  
13 business arrangement between two parties. You have  
14 six months. And if you can show us that you have  
15 done that, then we know that when you do get to a  
16 DS1 level, that you won't have to hurry up and try  
17 to work out some kind of business arrangement with  
18 a third party.

19           So, that was the intent of that.

20           MR. GOYAL: How is Verizon's tandem  
21 exhaustion situation impacted by the failure of two  
22 CLECs to independently interconnect or form the

1 business arrangement?

2 MR. D'AMICO: Well, that's a good  
3 question. I was going to go on to say that we  
4 talked to some folks at lunch, and the intent of  
5 that was, again, to get the parties to get  
6 together, but it seems like it's causing some  
7 confusion. We would be willing to let the two  
8 parties negotiate their own agreement and not have  
9 us policing them or in sending them to do that, so  
10 we would be willing to take out the 180-day  
11 reference, so in effect we would say we are  
12 assuming you are going to get together with these  
13 guys. You should do it sooner than later. We are  
14 not going to put any language that says, if you  
15 don't, X, Y, and Z happens, but just remember when  
16 you get up to a DS1 level, and we will provide  
17 transit up to a DS1 level, again even though it's  
18 an optional service, we will do that, and we will  
19 take the 180 day language out. Hopefully that  
20 clears some things up.

21 MR. GOYAL: That's great, and thank you  
22 for that information.

1           If I could switch back to a different  
2 subject that was addressed in the direct testimony  
3 in the cross-examination, sorry, earlier,  
4 Mr. Albert, I believe, you testified that you were  
5 not aware whether tandem switching was being  
6 purchased as a UNE in Verizon Virginia's network;  
7 is that correct?

8           MR. ALBERT: I'm aware that there is none  
9 being purchased, unbundled tandem switching, in any  
10 of the Verizon East states, Verizon East being the  
11 combination of the former NYNEX and former Bell  
12 Atlantic 14-jurisdiction geography.

13           MR. GOYAL: If I were to hypothetically  
14 say that there is a UNE tandem switching element  
15 available under the FCC's rules, would Verizon view  
16 tandem transit as a provision of UNE tandem  
17 switching?

18           MR. ALBERT: Looking to the product  
19 manager.

20           MR. D'AMICO: I would say no. Again, we  
21 view transit as something that are not obligated to  
22 provide. However, we are pricing at TELRIC, but we

1 are not required to do so.

2 MR. GOYAL: Could you identify the  
3 differences between transit service between two  
4 CLECs and UNE tandem switching?

5 MR. D'AMICO: The problem is I can  
6 identify or explain transit, but I'm not aware or  
7 familiar with how UNE switching works to be able to  
8 contrast it with how transit works.

9 MR. GOYAL: With respect to AT&T's  
10 proposed language on this issue, one thing I was  
11 trying to understand, which I wasn't able to  
12 understand, but let me start with this: It's  
13 AT&T's position that AT&T should compensate Verizon  
14 for the provision of tandem transit service at  
15 TELRIC rates; correct?

16 MR. SCHELL: Correct.

17 MR. GOYAL: Could AT&T explain how Verizon  
18 gets compensated by whom in both directions of the  
19 provision of tandem transit service? For example,  
20 if AT&T originates a call that gets transitted via  
21 Verizon's tandem to a third-party CLEC or CMRS  
22 provider, who compensates Verizon and then vice

1 versa.

2 MR. SCHELL: If a AT&T subscriber  
3 initiated the call, then AT&T would have built the  
4 interconnection facility to the tandem, so it would  
5 have self-provided that. It would pay Verizon the  
6 TELRIC or UNE tandem switching rate element for use  
7 of their tandem switch, and then assuming that  
8 there were any third party charges that Verizon  
9 incurred, we are also willing to pay those third  
10 party charges for the terminating party.

11 MR. GOYAL: So, under AT&T's proposal,  
12 would Verizon necessarily incur those third party  
13 charges? Would there be a consistent pattern to  
14 have those third party charges for termination  
15 would be assessed? Sometimes would they be  
16 assessed to Verizon and sometimes to AT&T?

17 MR. SCHELL: I would presume that if the  
18 group from the third-party carrier were built--were  
19 their interconnection facilities and were built at  
20 their cost, then Verizon would not have incurred  
21 that.

22 On the other hand, if those were common

1 transport or subject to reciprocal compensation or  
2 what have you, then we would have, and we would  
3 reimburse them for that.

4 MR. TALBOTT: I would like to add to that  
5 answer, if I might.

6 The common practice among LECs, third  
7 party LECs exchanging small volumes of traffic is  
8 to have it done on a bill and keep basis, so where  
9 traffic originated on AT&T's network and terminated  
10 to WorldCom's network, we are both recognizing that  
11 to be a bill and keep situation. If one party  
12 begins to assess charges to the other, basically,  
13 then we are into reciprocal billing; but in very  
14 rare cases would Verizon be billed by either LEC.  
15 All our contract language does is propose to  
16 protect Verizon in the case that the terminating  
17 party does assess charges to Verizon, which is  
18 unlikely that we would reimburse Verizon for those  
19 charges because we believe under calling party  
20 network pay's rule, that it would be our charges to  
21 pay.

22 MS. PREISS: Could I ask a question. In

1 the example you just used where AT&T is exchanging  
2 traffic with WorldCom via Verizon, does WorldCom  
3 know that it's--I guess this is for both of you.  
4 Does WorldCom know that's AT&T's traffic, that it's  
5 traffic from an AT&T customer that's coming  
6 through?

7 MR. TALBOTT: Yes.

8 MS. PREISS: And AT&T gets information  
9 knowing that it's WorldCom traffic going the other  
10 way?

11 MR. TALBOTT: Yes.

12 MS. PREISS: Who do you get that  
13 information from?

14 MR. TALBOTT: It's on the call record.

15 MS. PREISS: And where does that come  
16 from?

17 MR. TALBOTT: It's in the signaling  
18 transmission.

19 MS. PREISS: It's actually in the  
20 signaling, the originating calling number or the  
21 carrier associated with the originating calling  
22 number?

1 MR. TALBOTT: Yes.

2 MS. PREISS: Thanks.

3 MR. GOYAL: Regardless of whether or not  
4 AT&T reimburses Verizon for any termination charges  
5 assessed by a third-party carrier, would AT&T  
6 always pay tandem switching rates at TELRIC rates  
7 for the provision of tandem transit service or  
8 would AT&T only compensate Verizon for third party  
9 termination charges?

10 MR. SCHELL: Oh, no. AT&T would pay  
11 Verizon the transit charge.

12 MR. GOYAL: Could you point me to language  
13 in the proposed AT&T language that specifies that  
14 compensation. It could be I'm just misreading  
15 about it, but I don't see anything in here about  
16 compensation.

17 MR. SCHELL: We need to get a copy of the  
18 AT&T proposed contract language.

19 Yes, it's in Section 7.2.6 of AT&T's  
20 proposed contract language, and it says AT&T shall  
21 pay Verizon for transit service that AT&T  
22 originates at the rate specified in Exhibit A plus



1 any additional charges or cost that terminating  
2 CLEC, ITC, CMRS carrier or other LEC imposes or  
3 levies on Verizon for the delivery or termination  
4 of such traffic, including any switched exchange  
5 access service charges.

6 MR. GOYAL: Thank you.

7 MR. EDWARDS: Can I ask you to clarify.  
8 Is that Verizon's proposed language or AT&T's  
9 proposed language?

10 MS. PREISS: It appears to be agreed  
11 language.

12 MR. LOUX: I was going to venture that  
13 because it had been our understanding that it was  
14 agreed upon language.

15 MS. PREISS: I'm looking at Verizon's  
16 proposed contract to AT&T. They're looking at  
17 AT&T's proposed contract to Verizon. It has the  
18 same language in it, and it's marked as agreed, so  
19 I think that's agreed.

20 MR. EDWARDS: If it's in both contracts, I  
21 take it it's agreed and run with it.

22 MR. GOYAL: I apologize for my confusion

1 about it. I didn't see it in the DPL, which is why  
2 I didn't catch it.

3 Does WorldCom's proposal operate the same  
4 way, leaving aside the issue of billing, with  
5 respect to the charges that Verizon would be  
6 compensated for for the provision of transit  
7 service? Is it WorldCom's understanding that it  
8 would operate the same way as AT&T just explained?

9 MR. GRIECO: I'm not sure how to separate  
10 billing from compensating Verizon.

11 MR. GOYAL: Could you explain that.

12 MR. GRIECO: Well, obviously to get  
13 compensated, we have to bill them or they have to  
14 bill us, so to be compensated via the billing  
15 arrangement.

16 MR. GOYAL: My question is focused more on  
17 what exactly would be Verizon be recovering for  
18 regardless of the actual mechanism that's used to  
19 provide that recovery? So, regardless of the  
20 billing mechanism used, would WorldCom's proposal  
21 compensate Verizon in the same way that AT&T has  
22 just explained?

1 MR. GRIECO: Essentially, yes. I mean, we  
2 would compensate them for the tandem switching  
3 which transit service is simply tandem switching.  
4 Whether that be transitting to a third party or  
5 transitting to another LEC end--Verizon end office,  
6 it's just simply tandem switching, and it would get  
7 the tandem switching rate for that service.

8 MR. GOYAL: With respect to third party  
9 termination charges that Verizon recovers on behalf  
10 of--that Verizon remits to third party carriers.  
11 I'm sorry. I'm getting confused here. Let me ask  
12 it the other way around.

13 With respect to third party charges that  
14 Verizon levies on WorldCom--actually, let me start  
15 over.

16 Could WorldCom explain how the billing  
17 arrangement would work in both ways?

18 MR. GRIECO: Well, the billing arrangement  
19 we had proposed is one of the four made available  
20 through the OBF, which is I believe a single bill,  
21 single tariff arrangement which, in essence, means  
22 that we would--if we were originating the call, if

1 WorldCom is originating the call to a third-party  
2 CLEC or wireless carrier or independent, we would  
3 pay Verizon a transit fee or a tandem switching  
4 fee.

5           Now, Verizon would be entitled to bill us  
6 reciprocal compensation as if they terminated the  
7 call, and the third-party CLEC or wireless carrier  
8 or independent would be able to bill Bell Atlantic  
9 reciprocal compensation because Bell Atlantic had  
10 originated the call.

11           So, the billing between WorldCom and  
12 Verizon is just handled through the normal billing  
13 that we do between our two carriers, regardless of  
14 whether it's transit or not transit, and the same  
15 thing holds true at the second half of the call.  
16 It's just part of the standard billing arrangement  
17 that Verizon already has with that third-party  
18 carrier.

19           MR. GOYAL: Thanks for that explanation.  
20 That helps me formulate my question I hope a little  
21 bit better this time around.

22           With respect to termination charges that

1 Verizon would pay to WorldCom for traffic  
2 originating on a third-party carrier's network, who  
3 would be ultimately financially responsible for  
4 that third party carrier's failure to pay its bill  
5 to Verizon under WorldCom's proposed billing  
6 arrangement?

7 MR. GRIECO: I'm not sure I could answer  
8 that. I assume that those scenarios are part of  
9 the OBF guidelines in those billing-type  
10 arrangements. I'm not really sure what the answer  
11 to the question is.

12 MR. GOYAL: Are the OBF guidelines in the  
13 record?

14 MR. GRIECO: I don't know. I'm not really  
15 a billing person, I'm not a billing witness, so I'm  
16 not sure what all the OBF guidelines are. All I  
17 know is that they have the four type billing  
18 arrangements, and this is one of those four that is  
19 available for transit or meet point type traffic.

20 MR. GOYAL: Let me ask the question  
21 another way. Under WorldCom's proposed language,  
22 how would Verizon recover for the failure of that

1 third-party carrier to pay to Verizon the  
2 termination charges that Verizon has paid to  
3 WorldCom?

4 MR. GRIECO: I think I would have to  
5 re-read our language to answer that question. I  
6 don't know right off the top of my head.

7 MR. GOYAL: Has WorldCom been successful  
8 in obtaining the billing arrangement it seeks here  
9 and other states?

10 MR. GRIECO: I don't know the answer to  
11 the question either.

12 MR. GOYAL: Could I actually make both of  
13 those questions a record request both with respect  
14 to how Verizon would recover for the failure of a  
15 third-party carrier to pay Verizon and also with  
16 respect to WorldCom's success in obtaining this  
17 billing arrangement with other states?

18 MR. GRIECO: Sure.

19 RECORD REQUEST

20 MR. MONROE: Could I clarify in a second,  
21 when you're wanting to know if WorldCom has that  
22 arrangement with other ILECs in other states?

1 MR. GOYAL: Yes, and if I could add to  
2 that, also whether WorldCom has been successful in  
3 obtaining that arrangement through arbitration in  
4 other states.

5 MR. MONROE: Okay. Thank you.

6 MR. DYGERT: Mr. D'Amico, back on back on  
7 this 180 days issue, I think you described how  
8 Verizon would change its proposed language or  
9 change the effect of its proposed language with  
10 respect to WorldCom.

11 Does that change apply to AT&T as well?  
12 Because I think I recall from our earlier  
13 discussion that there was some question about  
14 whether the 180 days began running from the first  
15 minute of transit traffic or when the transit  
16 traffic first hit a DS1 level.

17 MR. D'AMICO: Okay. With WorldCom, the  
18 way the language read was, if they didn't enter  
19 into an agreement, Verizon could simply opt into  
20 not providing that service anymore. With AT&T we  
21 had the same language which said, hey, AT&T, please  
22 enter into an agreement with another carrier to

1 show us that you have a business relationship.  
2 However, if you do not do that--well, if you do  
3 that, we're fine. If you do not do that, then  
4 instead of saying we would not provide transit  
5 service anymore, we said that you would begin to  
6 pay a transit billing fee.

7           And again in light of--we were trying to,  
8 if you will police or get folks together, and in  
9 looking at this, we feel that the CLECs are  
10 responsible to get together, and we would just  
11 eliminate that 180 day provision. So, in effect,  
12 if AT&T did or did not enter into an agreement, no  
13 billing fee would apply. However, they still  
14 needed to--the DS1 language still was intact.

15           Does that clarify it?

16           MR. DYGERT: I think so. So, the higher  
17 rates would apply once--as soon as AT&T's transit  
18 traffic exceeded the DS1 threshold?

19           MR. D'AMICO: That's a different  
20 provision. That talks about there is kind of a  
21 transition period, once they get over DS3--I'm  
22 sorry, DS1, and this was purely dealing with 180



1 days, and it was only the billing charge, no port  
2 charges were applied, so just cut that from the  
3 herd. It's no longer needed, if you will, but  
4 there still are provisions of port charge as well  
5 as the billing charge as it relates to going over  
6 the DS1 for a period of time.

7 MR. DYGERT: Thank you.

8 MR. GOYAL: Not to beat a dead horse, but  
9 just to clarify that a little further, under  
10 Verizon's current proposal, as clarified since the  
11 testimony this morning, now Verizon would be  
12 willing to drop the 180-day period so the higher  
13 than TELRIC billing and port charges, the  
14 access-based charges, would only apply once the DS1  
15 threshold were exceeded; is that correct?

16 MR. D'AMICO: Correct. And the port  
17 charges never did apply past the 180 days. It was  
18 just the billing T, if you will.

19 MS. PREISS: I have two questions for  
20 Verizon. Referring to your contract Section 7.2.4,  
21 which refers to this billing fee, it says the  
22 transit billing fee applies as set forth in Exhibit

1 A, and Exhibit A to your contract says transit  
2 billing service fee, the transit service billing  
3 fee will equal 5 percent of the monthly service  
4 charges incurred by AT&T with respect to each  
5 third-party CLEC for which the tandem transit  
6 traffic exceeds the threshold level.

7           Could you explain that to me. I just  
8 don't understand. Is this just a pass-through?

9           MR. D'AMICO: Yes.

10          MS. PREISS: Plus 5 percent?

11          MR. D'AMICO: It's 5 percent of that  
12 pass-through.

13          MS. PREISS: 5 percent of.

14          MR. D'AMICO: In other words, if AT&T was  
15 sending traffic to another CLEC, Verizon is billing  
16 that--I'm sorry, Verizon is billing AT&T transit  
17 charges, and our billing vendor, who is doing that  
18 for us, is charging us a fee for that. It's a  
19 tiered structure. So in order to recover that, we  
20 are just passing that on to AT&T in that situation.

21               So, if we billed them a dollar under a  
22 DS1, tomorrow, when it's over DS1, it would be a

1 dollar five. Yes, that's 5 percent.

2 MS. PREISS: So, the monthly service  
3 charges incurred by AT&T--I'm quoting from your  
4 contract language--is it charged--Verizon charges  
5 that to AT&T based on what the billing pooling  
6 people--that's the technical term--charge Verizon?

7 MR. D'AMICO: Yes.

8 MS. PREISS: And you're adding--and you're  
9 charging 5 percent of that to AT&T?

10 MR. D'AMICO: No, in effect that's how--

11 MS. PREISS: You're adding 5 percent,  
12 you're passing it through and adding a 5 percent  
13 charge?

14 MR. D'AMICO: Well, actually, the way our  
15 billing vendor works, if they bill a dollar on our  
16 behalf, we give them 5 percent of that dollar that  
17 they billed on our behalf, so we are recovering  
18 that.

19 MS. PREISS: I see. Okay. Then my last  
20 question is--relates to issues III-1 and III-2. I  
21 understand Verizon's basic position is that it's  
22 not obligated to provide this tandem transit